

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT
TODD RUSSELL PLATTS, CHAIRMAN



MEDIA ADVISORY

For Immediate Release
July 18, 2003
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***SEC Strategic Planning –
Will Additional Resources Prevent Another Enron?***

What: **Oversight Hearing to Examine Strategic Planning and Ensure Effective Use of New Management Tools at The Securities and Exchange Commission**

When: **Wednesday, July 23, 2003, 2:30 p.m.**

Where: **2247 Rayburn House Office Building**

As a result of recent high-profile corporate abuse scandals, Congress passed the Sarbanes-Oxley Act, making the most significant changes to the Securities and Exchange Commission's mandate in 50 years. To remedy staffing problems repeatedly identified by the General Accounting Office (GAO) and give the SEC the resources needed to administer mandates under Sarbanes-Oxley, the Commission's budget was increased 60% between FY 2002 and FY 2004. Additionally, the SEC is implementing new human capital management tools, including expedited hiring authority and pay parity to attract and retain the high quality workforce needed to fulfill its mission. On July 23rd, the Subcommittee will hold a hearing to review the SEC's strategic planning, focusing on how it can most effectively use these additional resources and newly-granted hiring flexibilities.

In March 2002, GAO issued a report entitled *SEC Operations: Increased Workload Creates Challenges*, which stated that the SEC should broaden its strategic plan to allow it to execute its core mission more effectively. Since that report there have been broad changes at the Commission, including the appointment of a new Chairman, a substantial budget increase, increased regulatory responsibilities, and the requirement for a financial audit for the first time in the Commission's history. All these factors, along with the requirement under Sarbanes-Oxley to hire over 800 new staff would pose a major challenge for any agency. For the SEC, the challenge is even more daunting because of the intense scrutiny the Commission is under due to corporate abuses over the past few years, which resulted in a loss of investor confidence and significantly impacted the country's economic growth.

Under the Government Performance and Results Act (GPRA), the SEC is required to create a five-year strategic plan, an annual performance plan, and a year-end performance report. The strategic plan includes four broad goals: "protect investors; maintain fair, honest and efficient markets; facilitate capital formation; and sustain and improve organizational excellence". Unfortunately, performance measures for achieving these goals have traditionally focused on outputs not outcomes. As a result, the SEC cannot gauge whether the actions taken result in greater protection for investors or the smooth functioning of markets. In short, strategic planning at the SEC has historically been inadequate for an agency of this level of importance.

The SEC oversees the activities of key market participants including nine exchanges, the over-the-counter market, 70 alternative trading systems, 12 registered clearing agencies, 8,000 registered broker-dealers employing over 700,000 registered representatives, 8,000 transfer agents, 5,000 investment companies and 7,400 registered investment advisors. The SEC's mission includes regulatory rulemaking, market oversight, review of corporate finance, and compliance with and enforcement of federal securities laws and regulations.

WITNESSES

Richard Hillman, Director of Financial Markets and Community Investment, U.S. General Accounting Office;

Peter Derby, Managing Executive for Operations, Office of the Chairman, Securities and Exchange Commission; and

Jim McConnell, Executive Director, Office of the Executive Director, Securities and Exchange Commission.

*Additional Witnesses May Be Added

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